



*Report of Independent Auditors and
Consolidated Financial Statements*

Rebuild North Bay Foundation

*For the Period from October 13, 2017 (Inception) through
September 30, 2018*

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Report of Independent Auditors

The Board of Directors
Rebuild North Bay Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rebuild North Bay Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the period from October 13, 2017 ("Inception") through September 30, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rebuild North Bay Foundation as of September 30, 2018, and the changes in their net assets and their cash flows for the period from Inception through September 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
August 6, 2019

Consolidated Financial Statements

Rebuild North Bay Foundation
Consolidated Statement of Financial Position
September 30, 2018

ASSETS

| | |
|--------------------------|--------------|
| Cash | \$ 1,775,013 |
| Contributions receivable | 460,000 |
| Capitalized software | 107,724 |
| Other assets | 21,255 |
| | <hr/> |
| Total assets | \$ 2,363,992 |
| | <hr/> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|--------------|
| Liabilities | |
| Accounts payable and accrued expenses | \$ 41,966 |
| | <hr/> |
| Total liabilities | 41,966 |
| | <hr/> |
| Net assets | |
| Unrestricted | 1,862,026 |
| Temporarily restricted | 460,000 |
| | <hr/> |
| Total net assets | 2,322,026 |
| | <hr/> |
| Total liabilities and net assets | \$ 2,363,992 |
| | <hr/> |

Rebuild North Bay Foundation
Consolidated Statement of Activities and Changes in Net Assets
For the Period from October 13, 2017 (Inception) Through September 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--------------------------------|----------------------------|-----------------------------------|----------------------------|
| Support and revenue: | | | |
| Contributions | \$ 2,217,779 | \$ 460,000 | \$ 2,677,779 |
| Other revenue | 6,675 | - | 6,675 |
| Total support and revenue | <u>2,224,454</u> | <u>460,000</u> | <u>2,684,454</u> |
| Expenses: | | | |
| Professional services | 152,512 | - | 152,512 |
| Salaries and employee benefits | 118,667 | - | 118,667 |
| Travel expenses | 29,241 | - | 29,241 |
| Grants | 25,000 | - | 25,000 |
| Office expenses | 22,417 | - | 22,417 |
| Other | 14,591 | - | 14,591 |
| Total expenses | <u>362,428</u> | <u>-</u> | <u>362,428</u> |
| Change in net assets | 1,862,026 | 460,000 | 2,322,026 |
| Net assets at inception | <u>-</u> | <u>-</u> | <u>-</u> |
| Net assets at end of period | <u><u>\$ 1,862,026</u></u> | <u><u>\$ 460,000</u></u> | <u><u>\$ 2,322,026</u></u> |

Rebuild North Bay Foundation
Consolidated Statement of Cash Flows
For the Period from October 13, 2017 (Inception) Through September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Change in net assets | \$ 2,322,026 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Changes in operating assets and liabilities: | |
| Grants receivable | (460,000) |
| Other assets | (21,255) |
| Accounts payable and accrued expenses | 41,966 |
| Net cash provided by operating activities | <u>1,882,737</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------------------|------------------|
| Additions to capitalized software | <u>(107,724)</u> |
| Net cash used in investing activities | <u>(107,724)</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,775,013

CASH AND CASH EQUIVALENTS, beginning of period

-

CASH AND CASH EQUIVALENTS, end of period

\$ 1,775,013

Rebuild North Bay Foundation

Notes to Consolidated Financial Statements

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Nature of organization – The accompanying consolidated financial statements include the accounts of Rebuild North Bay (“RNB”) and Rebuild North Bay Foundation (“RNBF”), collectively known as the Foundation. The accounts of these two not-for-profit organizations have been consolidated because they are under common management and control.

RNB was incorporated on October 13, 2017, (“Inception”) as a 501(c)(4) organization in the State of California. RNBF was incorporated on October 30, 2017, as a 501(c)(3) organization in the State of California. The Foundation’s mission is dedicated to the long term rebuilding of our region through advocacy, coordination, and economic development. The Foundation’s vision is to rebuild the north bay better, safer, greener, and faster. The Foundation serves Napa, Sonoma, Lake, and Mendocino counties.

All material intercompany accounts and transactions have been eliminated in consolidation.

Financial statement presentation – The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared using the accrual basis of accounting.

Cash – Cash includes cash held at financial institutions. The carrying amounts at face value approximate fair value.

Contributions receivable – Unconditional promises to give are recorded as receivables. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded in their respective net asset categories. The contributions receivable at September 30, 2018, are due within one year and no discount was applied to the balance. As allowance for uncollectible contributions receivable may be provided based upon management’s judgement, included such factors as prior collection history. There was no allowance for uncollectible contributions at September 30, 2018.

Capitalized software – Capitalized software consisted solely of website development costs in excess of \$5,000 in accordance with Accounting Standards Codification (“ASC”) 350-50. Amortization is computed using the straight-line method with an estimated useful life of three years. There was no amortization expense for the period from Inception through September 30, 2018, as the website went live in October 2018.

The Foundation, using best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairments are identified. No impairment losses were present for the period from Inception through September 30, 2018.

Net assets – The Foundation’s activities and related assets are classified as unrestricted, temporarily or permanently restricted net assets depending upon the terms of the contributions. Unrestricted net assets consist of undesignated and available funds to support all activities of the Foundation. Temporarily restricted net assets consist of funds available for support of donor-specified activities or funds expendable within a specified time period (see Note 3). The Foundation records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted net assets. When a time restriction ends and/or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. There were no permanently restricted net assets released during the period from Inception through September 30, 2018.

Rebuild North Bay Foundation

Notes to Consolidated Financial Statements

Contributions – Contributions received are recorded as unrestricted net assets or temporarily restricted net assets depending on the existence or nature of any donor restrictions. When a donor's restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. There were no releases from restrictions during the period from Inception through September 30, 2018.

Use of estimates – The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as the date of the consolidated financial statements and reported amounts of revenues, expenses, gains, and losses during the reporting period. Actual results could differ from those estimates.

Concentrations – The Foundation's financial instruments exposed to concentrations of credit risk consist primarily of cash. The Foundation maintains its cash in bank deposit accounts that may exceed Federal Deposit Insurance Corporation limits.

During the period from Inception through September 30, 2018, two donors contributed 91% of the Foundation's total contribution revenue. One of these donations was outstanding contributions receivable at September 30, 2018, and 98% of the Foundation's total contributions receivable.

Tax-exempt status – RNB was incorporated under the laws of the State of California and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(4) of the Internal Revenue Code and by the California Franchise Tax Board under Section 23701f of the Revenue and Taxation Code. Such exemption applies for activities related to its tax-exempt purposes. Accordingly, no provision for income taxes has been included in these consolidated financial statements. RNB was incorporated under the laws of the State of California and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and by the California Franchise Tax Board under Section 23701d of the Revenue and Taxation Code. Accordingly, no provision for income taxes has been included in these consolidated financial statements.

The Foundation assesses its accounting for uncertainties in income taxes recognized in its consolidated financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on the Foundation's consolidated financial statements as a result of assessing these uncertainties.

New accounting pronouncements – In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities* ("ASU 2016-14"). This guidance revises the not-for-profit reporting model. The guidance streamlines and clarifies net asset reporting, provides flexibility regarding the definition of reported operating subtotals, and imposes new reporting requirements related to expenses. This update is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of the provisions of ASU 2016-14 on the consolidated financial statements.

Rebuild North Bay Foundation

Notes to Consolidated Financial Statements

During 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). This guidance assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal transactions subject to other guidance and (2) determining whether a contribution is conditional. This update is effective for fiscal years beginning after December 15, 2018 for contributions received and for fiscal years beginning after December 15, 2019 for contributions made. Management is currently evaluating the impact of the provisions of ASU 2018-08 on the consolidated financial statements.

NOTE 2 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function were as follows for the period from Inception through September 30, 2018:

| | |
|-------------------------------|-------------------|
| Program | \$ 55,268 |
| Management and administration | 302,760 |
| Fundraising | 4,400 |
| Total expenses | <u>\$ 362,428</u> |

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted as follows as of September 30, 2018:

| | |
|-------------------------------------|-------------------|
| Hopper Avenue walls for Coffey Park | \$ 450,000 |
| Other | 10,000 |
| Total | <u>\$ 460,000</u> |

NOTE 4 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued. The Foundation recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Foundation's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after the consolidated statements of financial position date and before the consolidated financial statements were available to be issued.

The Foundation has evaluated subsequent events through August 6, 2019, which is the date the consolidated financial statements were available to be issued.

